

**HAMBLLEN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**AUDIT REPORT**

**June 30, 2010 and 2009**

## **INTRODUCTORY SECTION**

**Hamblen County Emergency Communications District**  
**June 30, 2010**

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**Hamblen County Emergency Communications District**  
**Roster of Officials**  
**June 30, 2010**

**1**

**Board of Directors:**

Eric Carpenter, Chairman

Roger Overholt, Vice Chairman

Richard Clark, Secretary

David Purkey, (Ex-Officio)

Kay Senter

Esco Jarnagin, Sheriff

Dana Wampler

Brad Smith

Kevin Jarnigan

Bill Honeycutt

Danny Houseright, (Ex-Officio)

**Executive Director:**

Jimmy Peoples

## **MANAGEMENTS'S DISCUSSION AND ANALYSIS**

As management of the Hamblen County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statement.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The statement of the net assets includes all the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets reports information about the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health of financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the district's net assets and changes in them is presented on page 5.

### **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As can be seen from page 5, (Summarized financial information), the District's net assets have increased approximately \$161,831 during the year ended June 30, 2010. Revenues, (Em. Tel. Surchg.) increased by 9.11%. Total expenses increased approximately 0.10%. Wireless rates increased by 26.6%. The minimal increase in expenditures was due to diligence of the admin. staff and employees being cost conscious.

### **THE DISTRICT'S NET ASSETS**

The District completed the year with net assets of \$1,763,359, which is approximately \$158,770 more than the prior year's ending net assets of \$1,604,589

### **BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Income from residential phone lines decreased during the year by \$31,427 from budgeted income. However state shared wireless income increased projection by \$9,836. Shared wireless charges are still difficult to estimate due to varied reporting times by independent dial tone providers. Interest income deposits were \$8,090 below expectation as interest rate trend continued to be stagnant.

Total expenditures were \$6,791 less than budgeted with budget categories remaining in line.

### **CAPITAL ASSETS**

The District's investment in capital assets amounts to \$1,151,750 with accumulated depreciation of \$743,044. Capital assets include the building, communications equipment, a vehicle, as well as office furniture and equipment.

### **ECONOMIC FACTORS AND FUTURE NEEDS**

The main economic factor facing the Hamblen County Emergency Communications District is the continued fluctuation in revenue generated from landline and or wireless telephones. Many residences continue to cancel residential service in favor of cell phones but this seems to have declined in the past year.. This year we have noted an increase in wireless revenue. Only a portion of cell phone revenue is being returned to each 911 District under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline usage and income from shared wireless fees is a continuing problem in estimating revenue for budget preparation. While landline phones decline has begun to level the decline continues. The State Emergency Communications Board, ECB continues contributing to each ECD's operating costs. The amount each District receives is based on the seven (7) population groups. This is a set amount to each group based on the average audited cost ratios of each of the population groups. Hamblen County is covered in the population group ranging from 50,000 to 74,999 according to U. S. Census Bureau population estimates for 2005

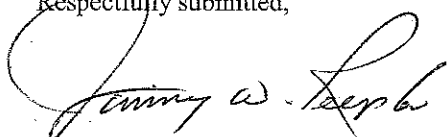
The new phone system addressed in this area last year is now in service but continues to be a detriment to the dispatchers as the G.U.I. offers led of what we need. It is capable of IP based calls and ready for NG911 The new phone system gives us a total of seven (7) identical positions, five (5) at the main center and two (2) at the EOC. The plan to add an additional dispatch position has been completed, giving us 5 complete dispatch positions at the main dispatch center. The upgrade to more ergonomic consoles has been completed and as noted above added an additional position. This will provide not only an additional position for unexpected incidents it will also provide a back up unit should one area at another position fail.

The approved addition of an additional dispatcher during the peak hours last year continues to be an asset to our operation and hopefully much better communication with the agencies we dispatch.

We are finally doing our dispatching by closest unit and this should be an asset to the M.P.D. during their accreditation process as well as getting a unit to the person calling faster than with the previous zone method.. Our CAD vendor, Cisco, has completed their part of the equation and the mapping vendor DDTI continues to refine required data strings to complete the program. By this time next year we are attempting to be able to plot call types on the map to further aid the M.P.D. to determine what type calls are coming from specific areas. The EMS their efforts to join the system so they to may provide a quicker response by dispatching the unit closest to the need.. They are currently exploring avenues to find the most economical solution so they can implement an equivalent response as the M.P.D. does.

Another very important part of dispatch is our continued work with the Morristown Fire Department and their need to meet I.S.O. standards. This continues on a regular basis to provide everything possible to assist the MFD in maintaining their excellent rating.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Jimmy W. Peoples".

Jimmy W. Peoples, Director

**SUMMARIZED FINANCIAL INFORMATION**  
**NET ASSETS**

	2010	2009
Current Assets	1,393,247	1,289,351
Capital Assets	<u>408,706</u>	<u>350,770</u>
Total Assets	1,801,953	1,640,121
Current Liabilities	18,300	21,101
Long Term Debt, Liabilities	<u>20,293</u>	<u>14,431</u>
Total Liabilities	38,593	35,532
Net Assets	1,763,359	1,604,589
Unrestricted Net Assets	1,382,270	1,253,819

**CHANGES IN NET ASSETS**

Revenues (Em.Tel. Surchg.)	809,705	742,069
Operating Expenses	<u>983,346</u>	<u>982,333</u>
Operating Income	(173,640)	(240,264)
Non-operating revenues (expenses)		
Interest Income	6,910	12,816
Contributions from primary government	315,501	330,141
State ECB, Grants & Reimbursements	10,000	200,000
Interest Expense	- 0 -	- 0 -
Total	332,411	542,957
Net Income (loss)	158,770	302,693
Net assets, beginning of year	1,604,589	1,301,896
Net assets, end of year	1,763,359	1,604,589



## **FINANCIAL SECTION**

# CRAINE, THOMPSON, & JONES, P.C.

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## CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET  
P.O. Box 1779  
SUITE 300, MILLENNIUM SQUARE  
MORRISTOWN, TENNESSEE 37816-1779  
423-586-7650

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hamblen County Emergency Communications District  
Morristown, Tennessee 37814

We have audited the accompanying financial statements of Hamblen County Emergency Communications District, a component unit of Hamblen County, Tennessee, as of June 30, 2010 and 2009, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of Hamblen County Emergency Communications District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamblen County Emergency Communications District of Hamblen County, Tennessee, as of June 30, 2010 and 2009, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2010, on our consideration of Hamblen County Emergency Communications District's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be read in conjunction with this report in considering the results of our audit.

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JAMES W. CRAINE, CPA  
GLENN B. THOMPSON, CPA, CFP, PFS  
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA  
HIRAM H. JONES, CPA

**Board of Directors**

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying Statement of Revenues, Expenses, and Changes in Net Assets – Actual and Budget, Schedule of Detailed Expenses, and Schedule of Information Required by the Tennessee Emergency Communications Board, is presented as supplemental information. Such statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

Craine, Thompson + Jones, P. C.

October 18, 2010

**Hamblen County Emergency Communications District**  
**Balance Sheet**  
**June 30, 2010 and 2009**

<u>Assets</u>	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 1,351,103	\$ 1,186,865
Accounts receivable	26,537	48,923
Due from State Emergency Communications Board	-	24,743
Due from Primary Government	15,607	28,820
Total current assets	<u>1,393,247</u>	<u>1,289,351</u>
Fixed assets:		
Building & improvements	351,321	316,907
Communications equipment	609,664	514,218
Office equipment	1,393	1,393
Furniture and fixtures	166,566	166,224
Vehicles	22,806	22,806
Construction in progress	-	23,382
Sub-total	<u>1,151,750</u>	<u>1,044,931</u>
Less - allowance for depreciation	<u>(743,044)</u>	<u>(694,161)</u>
Fixed assets - net	<u>408,706</u>	<u>350,770</u>
<b>Total assets</b>	<u><u>\$ 1,801,952</u></u>	<u><u>\$ 1,640,121</u></u>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 6,603	\$ 11,025
Retirement contributions	4,933	5,266
Compensated absences payable	6,764	4,810
Total current liabilities	<u>18,300</u>	<u>21,101</u>
Long-term liabilities:		
Compensated absences payable	<u>20,293</u>	<u>14,431</u>
Net assets:		
Invested in capital assets	380,589	350,770
Unrestricted	<u>1,382,770</u>	<u>1,253,819</u>
Total net assets	<u>1,763,359</u>	<u>1,604,589</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,801,952</u></u>	<u><u>\$ 1,640,121</u></u>

The accompanying notes are an integral part of these financial statements.

**Hamblen County Emergency Communications District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2010 and 2009**

	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
Operating revenues:		
Emergency telephone service charge	\$ 461,280	\$ 520,602
State emergency communications board-shared wireless charge	152,794	120,689
Other income-Operational Funding Distribution	194,455	100,034
Miscellaneous income	1,176	744
Total operating revenue	<u>809,705</u>	<u>742,069</u>
Operating expenses:		
Salaries and wages	560,117	564,621
Employee benefits	196,755	194,097
Contracted services	130,071	139,522
Supplies and materials	32,377	31,825
Other charges	15,142	17,308
Depreciation	48,884	34,960
Total operating expenses	<u>983,346</u>	<u>982,333</u>
Net operating income (loss)	<u>(173,640)</u>	<u>(240,264)</u>
Non-operating revenues (expenses)		
Interest income	6,910	12,816
Contributions from primary government	315,501	330,141
Contributions from other governments & agencies	-	-
State Emergency Communications Board - grants & reimbursements	10,000	200,000
Total non-operating revenues (expenses)	<u>332,411</u>	<u>542,957</u>
Net income	158,770	302,693
Net assets, beginning of year	<u>1,604,589</u>	<u>1,301,896</u>
Net assets, end of year	<u>\$ 1,763,359</u>	<u>\$ 1,604,589</u>

The accompanying notes are an integral part of these financial statements.

**Hamblen County Emergency Communications District**  
**Statement of Cash Flows**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**For the Years Ended June 30, 2010 and 2009**

	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Received from customers	\$ 674,416	\$ 648,702
Payments to suppliers	(182,012)	(191,441)
Payments to employees	(749,389)	(755,164)
Other receipts (payments)	195,631	100,778
Net cash provided (used) by operating activities	(61,354)	(197,125)
Cash flows from capital and related financing activities:		
Additions to fixed assets	(106,819)	(98,152)
Net cash provided (used) by capital and related financing activities	(106,819)	(98,152)
Cash flows from noncapital financing activities:		
Contributions from primary government	315,501	330,141
Grant from State Emergency Communications Board	10,000	200,000
Net cash provided (used) by noncapital financing activities	325,501	530,141
Cash from investing activities:		
Interest on investments	6,910	12,816
Net cash from investing activities	6,910	12,816
Net increase (decrease) in cash and cash equivalents	164,238	247,680
Cash and cash equivalents at beginning of year	1,186,865	939,185
Cash and cash equivalents at end of year	<u>\$ 1,351,103</u>	<u>\$ 1,186,865</u>

The accompanying notes are an integral part of these financial statements.

**Hamblen County Emergency Communications District**  
**Statement of Cash Flows**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**For the Years Ended June 30, 2010 and 2009**

	<b>June 30,</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ (173,640)	\$ (240,264)
Depreciation	48,883	34,960
Changes in operating assets and liabilities:		
(Increase) or decrease in accounts receivable	60,342	7,411
Increase or (decrease) in accounts payable	(4,422)	(2,786)
Increase or (decrease) in retirement contributions	(333)	748
Increase or (decrease) in estimated compensated absences	7,816	2,806
Net cash provided (used) by operating activities	<b><u>\$ (61,354)</u></b>	<b><u>\$ (197,125)</u></b>

The accompanying notes are an integral part of these financial statements.

**NOTE 1 - NATURE OF THE ORGANIZATION**

The District was established by the County for the purpose of enhancing "911" and selective routing services under T.C.A. 7-86-101 through 7-86-117 "Emergency Communications District Law." The District is a component unit of Hamblen County, Tennessee. It is managed by an eleven member Board of Directors appointed by the Hamblen County Commission for terms of four years. The District is fiscally dependent upon the County as it must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Basis of accounting – accrual.  
Revenue is recognized when earned and expenses are recorded when incurred.
- B. Fund type - proprietary.
- C. For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.
- D. Fixed assets and depreciation:
  - 1) Fixed assets are recorded at cost. Buildings are depreciated over 31.5 years, furniture and equipment over 7 years, and communications equipment over 5 years.
  - 2) Fixed assets consist of:

<b>June 30, 2010</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Net Fixed Assets</u></b>
Fixed Assets					
Building	\$ 316,907	\$ 34,413	\$ 351,320	\$ 89,509	\$ 261,811
Communications equipment	514,218	95,448	609,666	477,533	132,133
Furniture and fixtures	166,224	342	166,566	164,024	2,542
Office equipment	1,393	-	1,393	956	437
Automobile	22,806	-	22,806	11,023	11,783
Construction in progress	23,382	(23,382)	-	-	-
Total	<u>\$1,044,930</u>	<u>\$ 106,821</u>	<u>\$ 1,151,751</u>	<u>\$ 743,045</u>	<u>\$ 408,706</u>



D. Fixed assets and depreciation (continued):

<b>June 30, 2009</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Net Fixed Assets</u></b>
Fixed Assets					
Building	\$ 282,840	\$ 34,068	\$ 316,908	\$ 80,798	\$ 236,110
Communications equipment	473,517	40,701	514,218	443,742	70,476
Furniture and fixtures	166,224	-	166,224	162,482	3,742
Office equipment	1,393	-	1,393	677	716
Automobile	39,643	(16,837)	22,806	6,462	16,344
Construction in progress	-	23,382	23,382	-	23,382
Total	<u>\$ 963,617</u>	<u>\$ 81,314</u>	<u>\$ 1,044,931</u>	<u>\$ 694,161</u>	<u>\$ 350,770</u>

- 3) The straight-line method of depreciation is used, totaling \$48,883 for 2010 and \$34,960 for 2009. Accumulated depreciation was \$743,045 as of June 30, 2010, and \$694,161 as of June 30, 2009.

- E. The District has chosen not to follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989. The district follows Governmental Accounting Standards Board guidance after November 30, 1989.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

- F. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. The useful lives of the fixed assets of the District are such estimates.

**NOTE 3 - DEPOSITS**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2010 and June 30, 2009, the District had no exposure to custodial credit risk as its deposits were either insured by the FDIC or collateralized with securities held by the State of Tennessee Bank Collateral Pool.

**NOTE 4 – CONTRIBUTIONS FROM PRIMARY GOVERNMENT**

When the District was formed, the City of Morristown and Hamblen County, Tennessee, each verbally agreed to fund the salaries and benefits of four dispatchers as the District has absorbed these employees. The District bills the two entities monthly for these expenses.

**NOTE 5 - CONCENTRATION OF CREDIT RISK**

Hamblen County Emergency Communications District was established for the purpose of enhancing "911" and selective routing services in Hamblen County. All fees are collected through either Bell South/AT&T who bills every telephone customer in Hamblen County or the State Department of Commerce and Insurance of Tennessee who remits ECB wireless revenue monthly.

**NOTE 6 - COMPENSATED ABSENCES**

**A. Annual leave:**

Annual leave cannot be accumulated over 28 days or 336 hours.

Upon termination, employees are reimbursed for their accumulated annual leave. As of June 30, 2010 and 2009, this liability is \$27,057 and \$19,241, respectively, of which \$6,764 and \$4,810 is estimated to be current.

**B. Sick leave:**

Sick leave is accumulated at the rate of one day per month without limit. Sick leave may be used to allow an employee early retirement on a day for day basis.

**NOTE 7 - PENSION PLAN INFORMATION**

**Plan Description**

Employees of Hamblen County Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system on or after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hamblen County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

**NOTE 7 - PENSION PLAN INFORMATION (continued)**

**Funding Policy**

Hamblen County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Hamblen County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010 and 2009, was 7.97% and 7.97%, respectively, of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamblen County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the years ending June 30, 2010 and 2009, Hamblen County Emergency Communications District's annual pension cost of \$41,760 and \$41,675, respectively, to TCRS was equal to Hamblen County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hamblen County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 13 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**TREND INFORMATION**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2010	\$ 41,760	100.00%	\$0.00
June 30, 2009	\$ 41,670	100.00%	\$0.00
June 30, 2008	\$ 37,268	100.00%	\$0.00
June 30, 2007	\$ 35,883	100.00%	\$0.00
June 30, 2006	\$ 31,802	100.00%	\$0.00
June 30, 2005	\$ 27,926	100.00%	\$0.00

**NOTE 7 - PENSION PLAN INFORMATION (continued)**

**Schedule of Funding Progress for Hamblen County Emergency Communications District, 88540**  
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets  (a)	Actuarial Accrued Liability (AAL)  (b)	Unfunded AAL (UAAL)  (b)-(a)	Funded Ratio  (a/b)	Covered Payroll  (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
July 1, 2009	745	980	235	76.02%	536	43.84%
July 1, 2007	606	842	236	71.97%	422	55.92%
July 1, 2005	435	543	108	80.16%	349	30.92%
July 1, 2003	326	442	116	73.76%	292	39.73%
July 1, 2001	249	362	113	68.78%	241	46.89%

**NOTE 8 - RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District is insured through Strate Insurance Group as an ancillary to Hamblen County's insurance. There were no actual or potential claims against the District according to the County Attorney; therefore, no provision has been made. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

**NOTE 9 – BUDGETARY INFORMATION**

The District must file a budget annually with Hamblen County which must be legally adopted by the County. The budget is prepared on the accrual basis of accounting.

## **SUPPLEMENTAL INFORMATION**

**Hamblen County Emergency Communications District**  
**Statement of Revenue, Expenditures, and Changes in**  
**Fund Balance - Actual and Budget**  
**Year Ended June 30, 2010**

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	Actual	Budget	Variance Fav. (Unfav.)
Operating revenues:			
Emergency telephone service charge	\$ 461,280	\$ 492,707	\$ (31,427)
State emergency communications board-shared wireless charge	152,794	142,958	9,836
Other - Operational Funding Distribution	194,455	120,041	74,414
Miscellaneous income	1,176	1,000	176
Total operating revenues	809,705	756,706	52,999
Operating expenses:			
Director	71,288	71,342	54
Administrative personnel	33,587	33,596	9
Dispatchers	371,233	371,238	5
Part-time personnel	76,193	76,385	192
Social Security	32,714	32,766	52
Medicare	7,651	8,107	456
Life insurance	1,760	1,799	39
Medical insurance	98,940	99,803	863
Dental insurance	10,159	10,190	31
Disability insurance	1,454	1,485	31
Unemployment Insurance	1,925	2,000	75
Retirement contributions	41,755	41,992	237
Compensated Absences	7,815	7,815	0
Other fringe benefits	398	420	22
Audit services	5,040	5,200	160
Administrative fees - services charges	695	750	55
Legal services	489	1,000	511
Mapping / Data	18,150	18,500	350
NCIC/TBI/TIES expenses	2,680	2,680	-
Pest control	288	320	32
Lease/Rental - communications equipment	86,797	86,902	105
Maintenance and repairs - communications equipment	4,187	4,500	313
Maintenance and repairs - building and facilities	875	925	50
Maintenance and repairs - vehicles	401	500	99
Fuel - Vehicle	1,507	2,400	893
Other contracted services	8,963	8,975	12
Office supplies	3,414	3,500	86
Custodial supplies	2,049	2,100	51
Postage	275	400	125
Utilities - electric	9,844	10,000	156
Utilities - gas	1,363	1,400	37
Utilities - general telephone	9,861	9,940	79
Utilities - cell phones & pagers	1,439	1,450	11
Other supplies and materials	1,781	2,000	219
Board meeting expenses	411	800	389
Dues and memberships	877	900	23
Employee testing & exams	379	500	121
Insurance - workers compensation	2,079	2,400	321
Insurance - liability	3,080	3,080	-
Insurance - building & contents	1,336	1,336	-
Insurance - vehicles	627	627	-
Premium on surety bonds	1,012	1,012	-
Training expenses	3,622	3,700	78
Travel expenses	1,719	2,000	281
General Telephone E.O.C	2,350	2,500	150
Depreciation	48,884	48,900	16
Total operating expenses	983,344	990,135	6,791
Net operating income	(173,640)	(233,429)	59,789
Non-operating revenues (expenses):			
Interest income	6,910	15,000	(8,090)
Contributions from other governments & agencies	315,501	328,714	(13,213)
State Emergency Communications Board - Grants and Reimbursements	10,000	10,000	-
Total non-operating revenues (expenses)	332,411	353,714	(21,303)
Net income	\$ 158,771	\$ 120,285	\$ 38,486

**Hamblen County Emergency Communications District**  
**Schedule of Detailed Expenses**  
**June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
Salaries and wages:		
Director	\$ 71,288	\$ 67,558
Administrative personnel	41,403	34,492
Dispatchers	371,233	417,796
Part-time personnel	76,193	44,775
Total salaries and wages	<u>\$ 560,117</u>	<u>\$ 564,622</u>
Employee benefits:		
Social security	\$ 32,714	\$ 33,358
Medicare	7,651	7,802
Life insurance	1,760	1,681
Medical insurance	98,940	98,031
Dental insurance	10,159	9,713
Disability insurance	1,454	1,455
Other Fringe Benefits	398	383
Retirement contributions	41,755	41,675
Total employee benefits	<u>\$ 194,830</u>	<u>\$ 194,097</u>
Contracted services:		
Audit services	\$ 5,040	\$ 5,040
Administrative fees - service charges	695	685
Legal services	489	252
Mapping / Data	18,150	7,663
NCIC/TBI/TIES expenses	2,680	1,600
Pest control	288	284
Lease/rental - communications equipment	86,797	108,286
Maintenance and repairs - communications equipment	4,187	4,242
Maintenance and repairs - buildings and facilities	875	1,092
Maintenance and repairs - vehicles	401	200
Fuel Vehicle	1,507	1,609
Other contracted services	8,964	8,569
Total contracted services	<u>\$ 130,071</u>	<u>\$ 139,522</u>

**Hamblen County Emergency Communications District**  
**Schedule of Detailed Expenses**  
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Supplies and materials:		
Office supplies	\$ 3,414	\$ 3,099
Custodial supplies	2,049	1,416
Postage	275	257
Utilities - electric	9,844	9,044
Utilities - gas	1,364	1,309
Utilities - general telephone	12,211	14,276
Utilities - cell phones & pagers	1,439	981
Other supplies and materials	1,782	1,443
Total supplies and materials	<u>\$ 32,377</u>	<u>\$ 31,825</u>
Other charges:		
Board meeting expenses	\$ 411	\$ 582
Dues and memberships	877	838
Employee testing and exams	379	494
Insurance - workers compensation	2,079	2,335
Insurance - liability	3,080	3,002
Insurance - buildings and contents	1,336	1,215
Insurance - vehicles	627	654
Premiums on surety bonds	1,012	1,012
Training expenses	3,622	6,344
Travel expenses	1,719	832
Total other charges	<u>\$ 15,142</u>	<u>\$ 17,308</u>
Depreciation expense	<u>\$ 48,884</u>	<u>\$ 34,960</u>



## **INTERNAL CONTROL AND COMPLIANCE SECTION**

# CRAINE, THOMPSON, & JONES, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET  
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SUITE 300, MILLENNIUM SQUARE  
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### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Hamblen County Emergency Communications District  
Morristown, Tennessee

We have audited the financial statements of Hamblen County Emergency Communications District, a component unit of Hamblen County, Tennessee, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Hamblen County Emergency Communications District's basic financial statements and have issued our report thereon dated October 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered Hamblen County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hamblen County Emergency Communications District's internal over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hamblen County Emergency Communications District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hamblen County Emergency Communications District's ability to initiate, authorize, record, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hamblen County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by Hamblen County Emergency Communications District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Hamblen County Emergency Communications District's internal control.

JAMES W. CRAINE, CPA  
GLENN B. THOMPSON, CPA, CFP, PFS  
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA  
HIRAM H. JONES, CPA

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Hamblen County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Directors, and the State of Tennessee and awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Craine, Thompson + Jones, P.C.*

October 18, 2010